Financial Statements
June 30, 2022

San Bernardino International Airport Authority

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Independent Auditor's Report

Board of Commissioners
San Bernardino International Airport Authority
San Bernardino, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the San Bernardino International Airport Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Standard

As discussed in Note 11 to the financial statements, the Authority has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to net position as of July 1, 2021, to restate beginning net position. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 11 to the financial statements, errors resulting in an understatement or overstatement of amounts previously reported for capital assets, accumulated depreciation, loans payable, revenues and expenses as of June 30, 2021, were discovered by management of the Authority during the current year. Accordingly, a restatement has been made to net position as of June 30, 2021, to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of general and administrative expenses and schedule of maintenance and operations expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of general and administrative expenses and schedule of maintenance and operations expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

[redacted]

May 12, 2023

Executive Summary

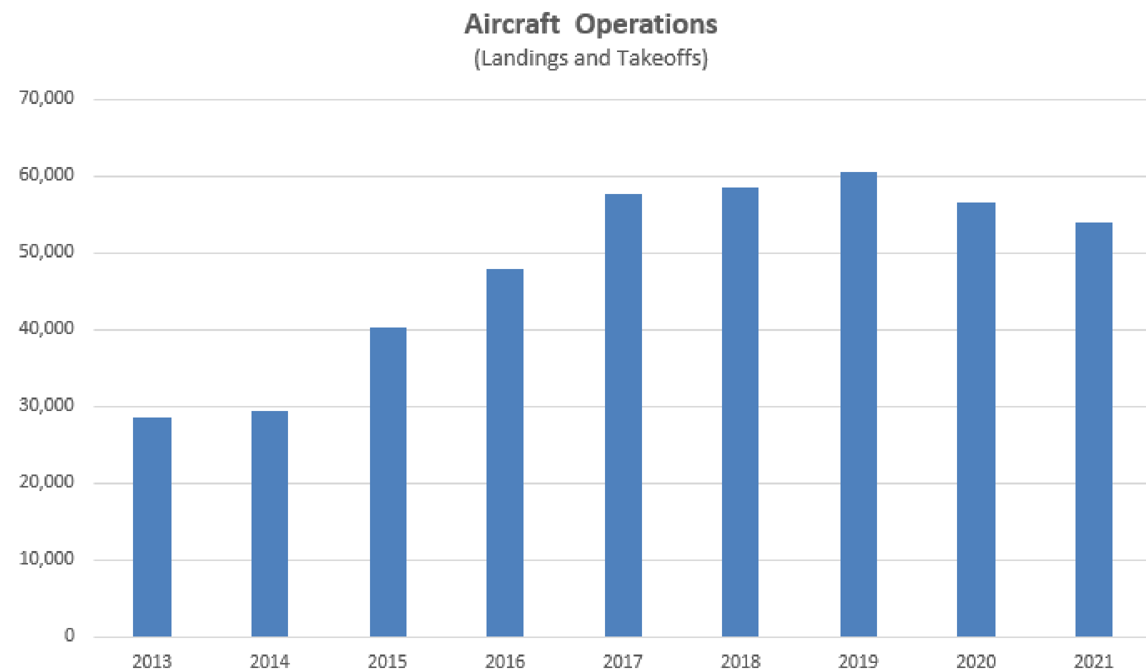
The San Bernardino International Airport Authority's ("SBIAA") Management Discussion and Analysis ("Analysis") provides an overview of SBIAA's financial activities for the fiscal year ended June 30, 2022. Since this information is designed to focus on the year's activities, resulting changes and currently known facts, it should be read in conjunction with SBIAA's financial statements.

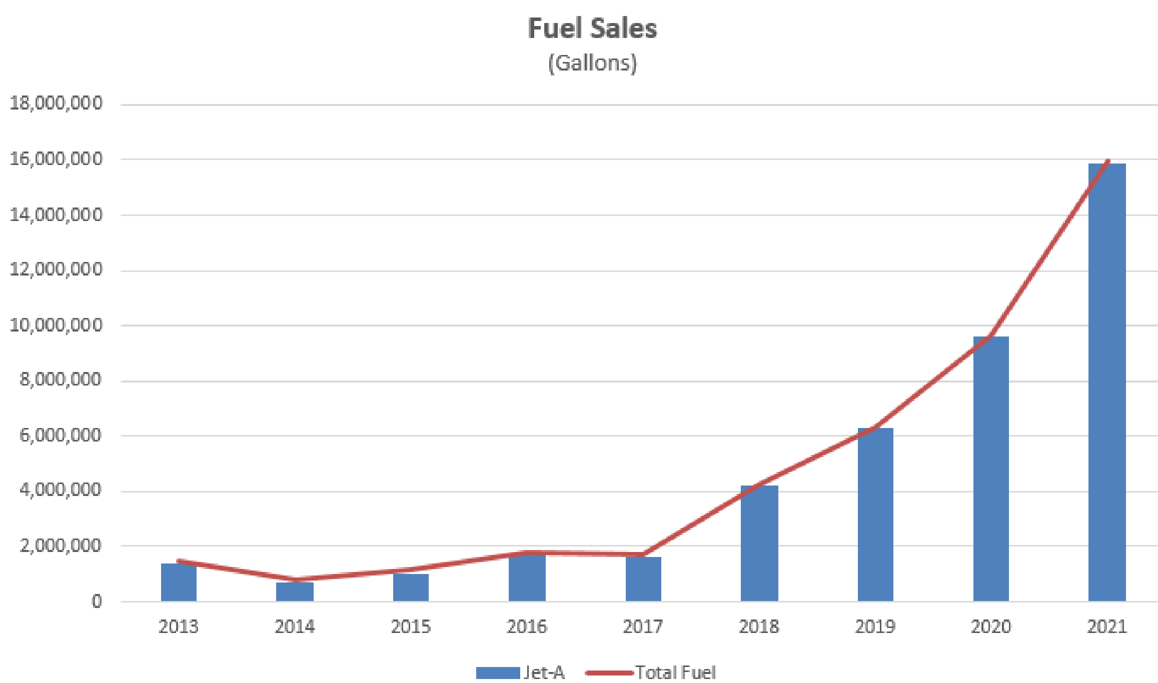
SBIAA is a joint powers authority created in 1992. It was created for the purpose of acquiring, operating, repairing, maintaining, and administering the aviation-related activities of the former Norton Air Force Base. SBIAA owns and operates the San Bernardino International Airport ("SBD"). SBIAA operates under a public utility business model. It constantly seeks to increase aviation activity, fuel sales, and airport services. Our vision is to maximize opportunities for the flying public while achieving fair, non-discriminatory, and equitable returns to support the airport utility over the long run. To accomplish this, SBIAA creates an airport business environment that supports dynamic leadership, sound capital investment, and long-term employment opportunities for the benefit of the airport, its customers, stakeholders, the region, and the National Air Transportation System.

SBIAA also seeks to ensure that inter-governmental and community support to SBD is provided as appropriate. SBIAA should consistently deliver quality airport planning, infrastructure development, community development, and environmental programs, projects, and initiatives.

Finally, SBIAA seeks to realize its potential to provide high quality, higher wage employment opportunities for its member agencies and the communities they serve. Overall business attraction and retention across market segments: Air Cargo, Commercial Air Passenger, General Aviation, Corporate Aviation, and Maintenance and Repair Operations. The following charts on the next page provide an overview of SBD's aircraft operations and fuel sales:

SBD Annual Operations 2013 - 2021





Annual Airport Operations statistics are based on calendar year information.

From the full calendar year 2009 until 2012, aircraft operations were essentially flat at approximately 25,000 operations per year. However, in calendar year 2013 aircraft operations began a trend of successive increases. During calendar years 2013 through 2019, the Aircraft Operations chart shows aircraft operations experienced year over year increases of 17%, 3%, 37%, 19%, 21%, 1% and 4% respectively, each successive calendar year. Beginning in the calendar year 2020, the Airport experienced a decrease in aircraft operations of 7% or 3,975 fewer aircraft operations primarily from a decrease in general aviation activity. General aviation activity decreased in the short-term due to the negative impacts of the COVID-19 coronavirus pandemic on the general aviation community. The increasing operations of Amazon's Air Regional Hub at SBD, as well as increases in air cargo operations at the SBD's FedEx and United Parcel Services gateways, and by other air cargo operators continued that trend with a decrease in aircraft operations for calendar year 2021 of 5% or 2,533 fewer small aircraft operations. This trend is expected to continue for several years as large aircraft operations supplant general aviation aircraft activity related to aviation practice and training activity.

The calendar year compounded annual growth rate from 2009 to 2021 was 6.5%. Measured on a fiscal year basis, aircraft operations increased as well. This increase in air cargo operations subsequently supported increased jet fuel sales/services and lease revenues by $47,057,241 for the fiscal year and is reflected on the "Operating Revenue and Expenses" chart shown later in the Analysis.

Fuel sale activity is measured in gallons sold to enhance comparability by removing fuel cost volatility. As discussed above, aircraft operations support aviation fuel sales. The Fuel Sales chart displays gallons sold for calendar years 2013 through 2021. Total Fuel includes both Jet A fuel, displayed on the chart, and AV gas. Beginning in calendar year 2018, the ongoing expansion of air cargo operations increased both the frequency and size of aircraft using SBD. SBD's compounded annual growth rate for gallons of aviation sold for calendar years 2013 to 2021 is 34.4%.

On July 9, 2021, SBIAA issued $8,999,077 of direct placement taxable Airport Revenue Bonds at a rate of 3.74% to refund certain SBIAA obligations incurred to construct or improve commercial and general aviation hangars, as well as other SBD aviation facilities. Lease and other revenues related to these certain hangars and facilities are the primary source of funds to repay these bonds, which reach final maturity in fiscal year 2032.

To support increasing aviation activity, SBIAA issued $4,850,565 of direct placement tax-exempt Airport Revenue Bonds at a tax-exempt rate of 3.37% on August 12, 2021, to fund the expansion of the SBD fuel farm. The fuel farm expansion project expanded capacity by constructing a 375,000-gallon tank and adding another fueling station or rack for a total capacity of 500,000 gallons. These bonds reach final maturity in the fiscal year 2036. The fuel farm expansion was completed and placed into operation in March 2022.

On March 8, 2022, SBIAA and Breeze Airways announced the initiation of regularly scheduled commercial air passenger service at SBD beginning August 2022. To prepare for the initiation of commercial air passenger service, SBIAA incurred expenses and made capital outlays for the domestic terminal, parking lots, rental car facility, and air operations area to update information, communication, mechanical, security, and command and control systems, as well as improvements to land and building and structures to increase airport passenger safety, ease of use, aesthetics, new hospitality facilities.

San Bernardino International Airport Authority

SBIAA is a joint powers authority created in 1992. It was created for the purpose of acquiring, operating, repairing, maintaining, and administering the aviation-related activities of the former Norton Air Force Base.

SBIAA members are the City of Colton, City of Loma Linda, City of Highland, City of San Bernardino, and the County of San Bernardino in California.

The "Financial Statements Summary" and the "Operating Revenue and Expenses" charts reflect the continued capital investments in the Airport's infrastructure coupled with a sharp increase in aircraft operations over successive fiscal years since 2013, including increased fuel sales. As a result, the Airport continues to gain awareness amongst pilots and travelers in the Southern California market. During fiscal year 2014 the Airport contracted with a marketing firm to rebrand the Airport and its fixed based operator, Luxivair SBD. Improving financial results are attributable to innovative marketing campaigns, key management changes, and clear goals focused on achieving the Commission and management's vision for growth.

In fiscal year 2022, fuel sales and associated fuel revenues increased over fiscal year 2021 as the fleet mix of aircraft using the airport continued to trend toward larger jet and commercial size aircraft.

Financial Statements

SBIAA is considered a special-purpose governmental joint powers authority engaged in activities that supports the entity through user charges. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board. SBIAA's fiscal year ends June 30.

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable information about SBIAA's financial condition and operating results. They are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The statements are presented in a fiscal year format for the year ended June 30, 2022.

The *Statement of Net Position* presents SBIAA's assets, liabilities, deferred inflows of resources and the difference, or net position, between what is owned and what is owed as of the last day of the SBIAA's fiscal year.

The *Statement of Revenues, Expenses and Changes in Net Position* describes the financial results of SBIAA's operations for the years reported. These results, or Changes in Net Position, are the increases or decreases to the bottom line of the Statement of Net Position.

The *Statement of Cash Flows* conveys how SBIAA managed cash resources during the fiscal year. This statement converts the Change in Net Position presented on the Statement of Revenues, Expenses and Changes in Net Position into cash provided by or used for operations. The Statement of Cash Flows also details how SBIAA obtains cash through financing and investing activities, and, conversely, how cash is spent.

Financial Statements Summary and Charts

The following Financial Statements Summary provides highlights of the financial activity for fiscal years 2021 and 2022. Also provided are explanations as to the differences in amounts between the two fiscal years.

FINANCIAL STATEMENTS SUMMARY
(in thousands)

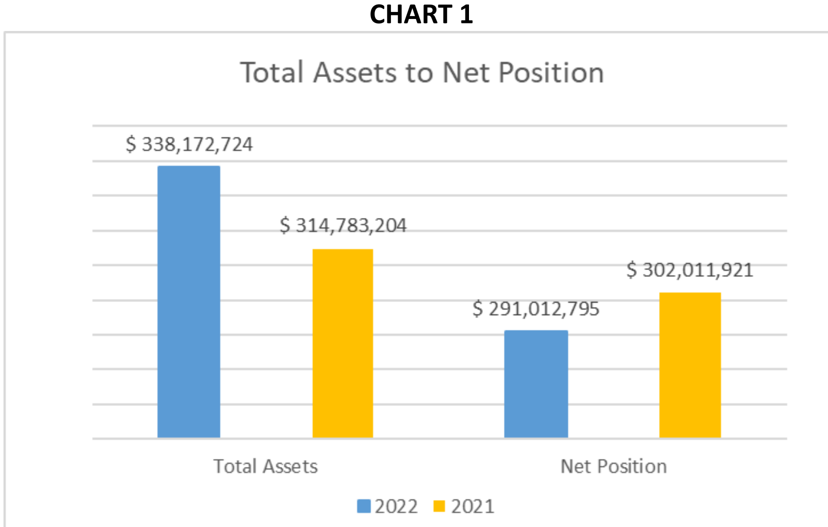
	June 30, 2022	June 30, 2021	Variance	Ref No.
Current assets	$ 18,782	$ 8,031	$ 10,751	*1*
Noncurrent assets				
Lease receivable	3,252	-	3,252	*2*
Restricted cash and cash equivalents	1,209	50	1,159	*3*
Capital assets, not being depreciated	38,512	39,128	(616)	*4*
Capital assets, net of accumulated depreciation	276,418	267,574	8,844	*5*
Total assets	338,173	314,783	23,390	
Current liabilities	19,280	8,489	10,791	*6*
Noncurrent liabilities	14,227	4,282	9,945	*7*
Total liabilities	33,507	12,771	20,736	
Deferred inflows of resources	13,653	-	13,653	
Net investment in capital assets	299,689	303,318	(3,629)	*8*
Restricted for capital projects	581	581	-	*9*
Unrestricted (deficit)	(9,257)	(1,887)	(7,370)	*10*
Total net position	$ 291,013	$ 302,012	$ (10,999)	
Operating revenues	$ 84,406	$ 34,095	$ 50,311	*11*
Operating expenses	(95,800)	(46,403)	(49,397)	*12*
Nonoperating revenues	26	58	(32)	
Nonoperating expenses	(487)	(193)	(294)	
Other	(429)	(1,036)	607	
Income (loss) before contributions	(12,284)	(13,479)	1,195	
Capital contributions	873	6,056	(5,183)	*13*
Change in net position	(11,411)	(7,423)	(3,988)	
Net Position - Beginning, as restated	302,423	309,435	(9,171)	
Net Position - Ending	$ 291,013	$ 302,012	$ (3,988)	

Explanation of Variances

1. Current assets increased due to increased cash balance and increased fuel inventory at fiscal year-end.
2. The increase in Lease receivable is due to the restatement of Lease receivable to implement GASB 87.
3. Restricted cash balance increased because of the cash balance with the fiscal agent for 2021 Bond series A and B.
4. Decrease in the balance of Construction in Progress due to completed construction projects placed into service during the fiscal year.
5. Net effect of current year's additions and depreciation/amortization expense for the year being accumulated.
6. The increase in the balance is a result of an increase in accounts payable related to fuel purchases.
7. The increase in the balance is a result of the issuance of 2021 Bond series A and B.
8. Net effect of current year's addition and depreciation/amortization expense for the year being accumulated.
9. No change from prior year, same restrictions from prior year apply.
10. Total net position decreased. The overall decrease is principally due to depreciation/amortization expense (a non-cash expense). Increase in revenues due primarily to increased fuel sales volume and increase in fuel prices as a result of changes to larger cargo aircraft in the fleet mix of aircraft using the airport for operations.
11. Associated increase in expenses due to increased fuel sales volume and increase in cost of fuel, as well as increased large aircraft airport activity due to continued air cargo growth.
12. Decrease due to the recording of land purchased for the Authority by IVDA and transferred to the Authority by the IVDA Successor Agency in prior year.

The following Chart 1 describes total assets and net position as of June 30, 2021, and 2022.

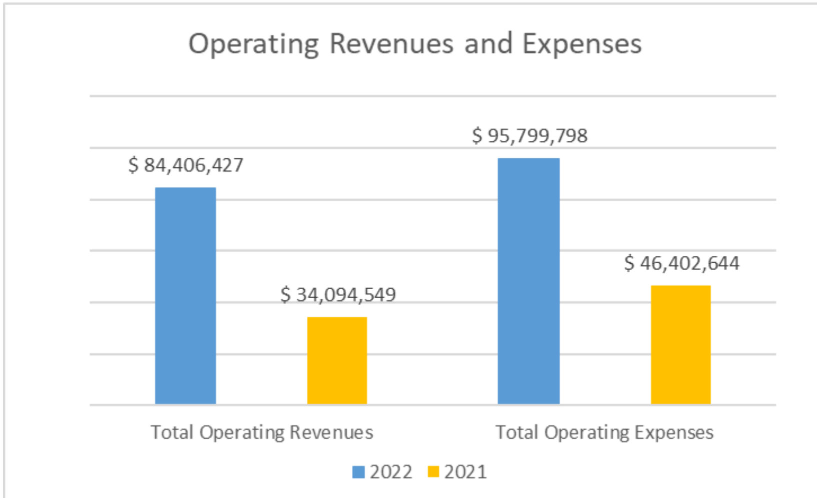
CHART 1



The increase in total assets due to correction of error (understatement of capital assets in prior year) and decrease in net position was primarily due to depreciation/amortization expense incurred during the fiscal year.

The following Chart 2 describes total operating revenues and expenses for fiscal years June 30, 2020, and 2021.

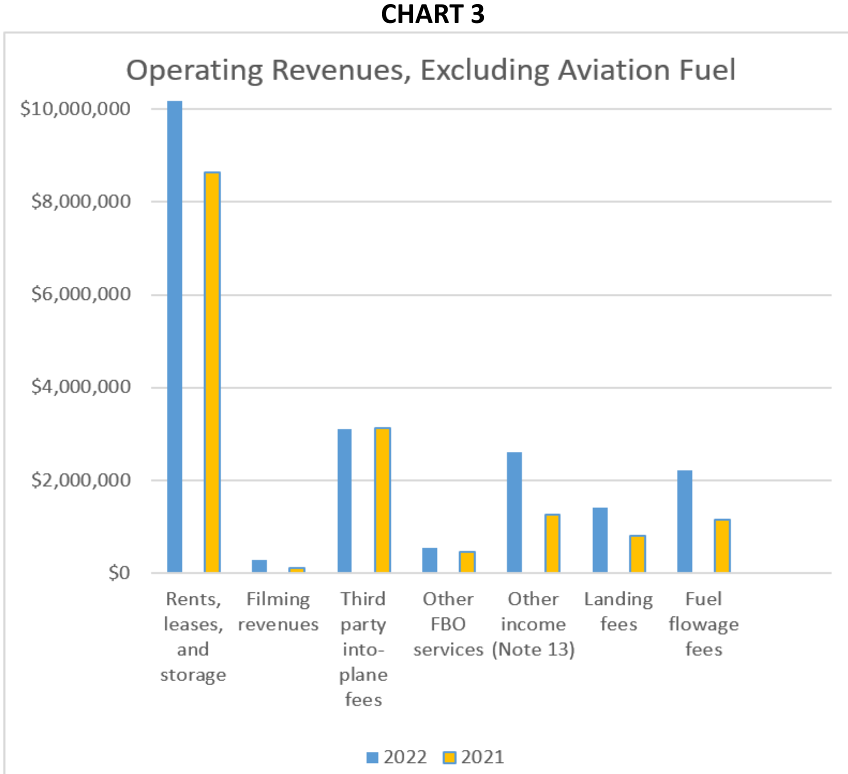
CHART 2



Total operating revenues increased by 148% with an associated increase in total operating expenses of 106% year-over-year. Total operating revenues increased due to increased fuel sales/services, fuel price increases, leases and rents, and aircraft landing fees in the fiscal year 2022.

The following Chart 3 breaks down the categories of revenue year-over-year.

CHART 3

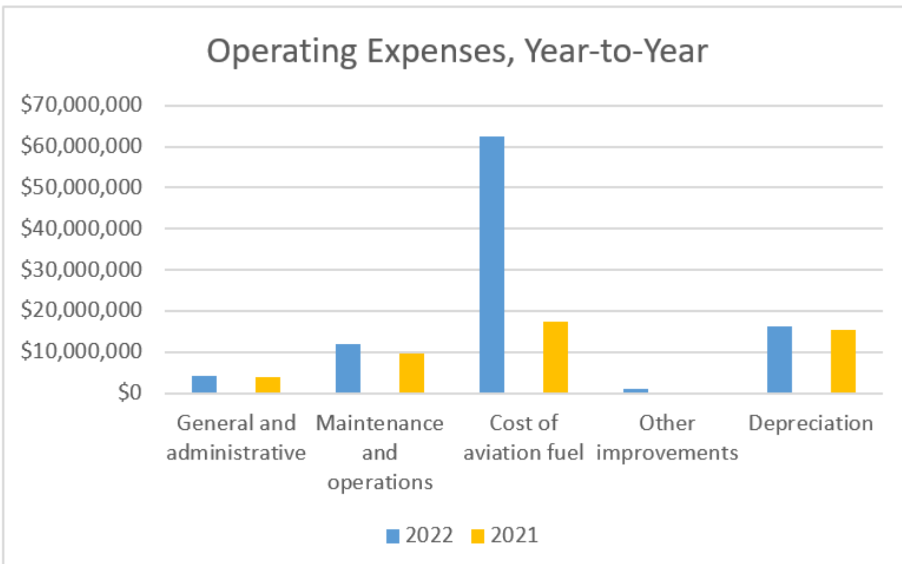


Rents, leases, and storage operating revenues increased by $1,543,914 or 17.9% year-over-year. $1,543,914 increase in rent, lease and storage is due to increased lease activities.

Aviation fuel sales were excluded in the above chart. Aviation fuel sales for fiscal years 2020-21 and 2021-22 were $17,443,063 and $62,539,790, respectively. The $45,096,727 increase was a combination of increased fuel cost and a 90% increase in gallons sold due to changes discussed previously. The fuel sales reported in "Other income" increased for the same reason.

The following Chart 4 breaks down the four main operating expenses year-over-year.

CHART 4



Net income (net loss) for the airport includes $16.2 million in depreciation expense, that does not affect the cash flow.

Categories of Net Position

SBIAA is required to present its net position in three categories: net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets

At June 30, 2022, net investment in capital assets was $299.7 million.

Restricted

At June 30, 20221, SBIAA had $581 thousand in restricted net position primarily for airport infrastructure.

Unrestricted

At June 30, 2022, SBIAA had an unrestricted deficit net position of $9.26 million.

Capital Assets

Capital Asset Additions

$8.4 million dollars were added to capital assets during the fiscal year June 30, 2022, which included completion of projects from construction in process in the amount of $6.8 million.

Construction in Progress

The following projects were capitalized during the fiscal year from construction in process:

- Completion of Gate Improvements
- Completion of New Fuel Farm project
- Completion of purchase of certain large electric equipment

Long-term Debt

During 2004-05 fiscal year, SBIAA acquired two loans in total amount of $5.2 million from the Inland Valley Development Agency. During the 2014 fiscal year, SBIAA consolidated both loans into one and entered into a restated loan agreement for the balance of $3.9M from the above loans. During the fiscal year, the loan was paid in full in the amount of $1,128,337.

During 2015-16 fiscal year, SBIAA also has entered into an agreement with IVDA to finance the construction of General Aviation hangars which was funded by IVDA in the amount of $3.9 million with installment payments to be paid to IVDA annually. The principal balance in the amount of $3.9 million was paid during the fiscal year towards the agreement. The balance as of June 30, 2022, for this agreement is $11,197.

During 2017-18 fiscal year, IVDA funded certain improvements on Hangar 795. SBIAA has entered into a loan agreement with IVDA for the above funds in the amount of $3.4 million with an interest rate of 2% for a 10-year term. During the fiscal year, the loan was paid in full in the amount of $3,385,081.

During the fiscal year, SBIAA issued Airport Revenue Refunding Bonds, Series 2021A and 2021B in the amount of $8,999,077 and $4,850,564, respectively. Principal and interest are due semiannually for these bonds. The outstanding balance on these bonds is $8,230,360 and $4,850,565, respectively.

Currently Known Facts, Decisions, Conditions

As noted previously, on March 8, 2022, SBIAA and Breeze Airways announced the initiation of regularly scheduled commercial air passenger service beginning August 2022. To prepare for the initiation of commercial air passenger service, SBIAA incurred and will continue to incur expenses and make capital outlays for the domestic terminal, parking lots, rental car facility, and air operations area to update information, communication, mechanical, security, and command and control systems, as well as improvements to land and building and structures to increase airport passenger safety, ease of use, aesthetics, new hospitality facilities.

	2022
Assets	
Current Assets	
Cash and cash equivalents	$ 13,721,203
Accounts receivable, net	2,574,332
Lease receivable	1,197,468
Due from related party	747,872
Interest receivable	2,308
Prepaid expenses	21,473
Fuel inventory	1,714,684
Total current assets	19,979,340
Noncurrent Assets	
Lease receivable	2,054,155
Restricted cash and cash equivalents	1,209,227
Capital assets, not being depreciated	
Land	38,157,796
Construction in progress	354,256
Capital assets, net of accumulated depreciation/amortization	276,417,950
Total noncurrent assets	318,193,384
Total assets	338,172,724
Liabilities	
Current Liabilities	
Accounts payable	11,096,220
Other accrued liabilities	368,837
Deposits payable	660,718
Due to related party	5,568,601
Accrued interest payable - related parties	265,632
Compensated absences, current portion	153,315
Long-term debt, current portion	1,166,504
Total current liabilities	19,279,827
Noncurrent Liabilities	
Compensated absences, noncurrent portion	153,315
Long-term debt, noncurrent portion	14,074,069
Total noncurrent liabilities	14,227,384
Total liabilities	33,507,211
Deferred Inflows of Resources	
Deferred inflows related to leases	13,652,718
Net Position	
Net investment in capital assets	299,689,429
Restricted for capital projects	580,536
Unrestricted	(9,257,170)
Total net position	$ 291,012,795

Operating Revenues	
Rents, leases, and storage	$ 10,180,876
Fuel sales	64,024,669
Filming revenues	289,795
Third party into-planes fees	3,106,668
Other FBO services	560,161
Other income	2,618,858
Landing fees	1,411,743
Fuel flowage fees	2,213,657
Total operating revenues	84,406,427
Operating Expenses	
General and administrative	4,170,592
Maintenance and operations	11,952,062
Cost of aviation fuel	62,539,790
Other improvements	982,987
Depreciation and amortization	16,154,367
Total operating expenses	95,799,798
Operating Loss	(11,393,371)
Nonoperating Revenues (Expenses)	
Interest income	26,054
Interest expense	(486,849)
Other expenses	(428,737)
Total nonoperating revenues (expenses)	(889,532)
Income (loss) before contributions	(12,282,903)
Contributions	
Capital grants	872,539
Total contributions	872,539
Change in Net Position	(11,410,364)
Net Position, Beginning of Year, as restated	302,423,159
Net Position, End of Year	$ 291,012,795

Operating Activities	
Receipts from customers	$ 84,676,901
Payments from employees	(6,332,111)
Payments to suppliers	(64,956,734)
Net Cash Provided By Operating Activities	13,388,056
Capital and Capital Related Financing Activities	
Acquisition and construction of capital assets	(9,285,099)
Principal payments on leases	(305,453)
Issuance of bonds	13,849,642
Principal payments	(9,173,239)
Interest paid	(486,849)
Cash received on lease receivables	1,193,073
Receipts from capital grants	872,539
Net Cash used for Capital and Capital Related Financing Activities	(3,335,386)
Investing Activities	
Interest income received	24,006
Net Cash Provided By Investing Activities	24,006
Net Change in Cash and Cash Equivalents	10,076,676
Cash and Cash Equivalents, Beginning of Year	4,853,754
Cash and Cash Equivalents, End of Year	$ 14,930,430
Reconciliation of Cash and Cash Equivalents to the	
Cash and cash equivalents	$ 13,721,203
Restricted cash and cash equivalents	1,209,227
Total Cash and Cash Equivalents	$ 14,930,430

Reconciliation of Operating Loss to Net Cash provided by Operating Activities	
Operating loss	$ (11,393,371)
Depreciation/amortization	16,154,367
Other non-operating revenue (expenses)	(428,737)
Changes in Assets and Liabilities	
(Increase) decrease in accounts receivable, net	(328,587)
(Increase) decrease in due from related party	(115,086)
(Increase) decrease in prepaid expenses	(21,473)
(Increase) decrease in fuel inventory	(1,366,732)
Increase (decrease) in accounts payable	7,973,228
Increase (decrease) in other accrued liabilities	242,694
Increase (decrease) in unearned revenues	(121,375)
Increase (decrease) in deposits payable	7,622
Increase (decrease) in due to related party	1,906,202
Increase (decrease) in deferred inflows related to leases	835,522
Increase (decrease) in compensated absences	43,782
Net Cash Used by Operating Activities	$ 13,388,056
Schedule of Non Cash Financing and Investing Activities:	
Lease liability for the right to use leased assets	$ 1,210,937

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the San Bernardino International Airport Authority (Authority) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Authority are described below.

Reporting Entity

The Authority is a joint powers authority created on May 12, 1992, primarily for the purpose of acquiring, operating, repairing, maintaining, and administering the aviation related portions of the former Norton Air Force Base property located in San Bernardino, California. The following are members of the Authority:

County of San Bernardino
City of San Bernardino
City of Colton
City of Highland
City of Loma Linda

Under the terms of an Authority agreement, each member agreed to be responsible for its respective percentage of all annual expenses of the Authority. Any party who fails to pay its respective share of such expenses for a 12-month period will be automatically expelled from the Authority with remaining members then responsible for the expelled members' share of expenses. In the event of the Authority's termination, the assets of the Authority together with debts owed at that time will be transferred to the Inland Valley Development Agency (IVDA), or such other entity as may be determined pursuant to Federal and State laws then in effect.

On December 17, 1999, the Authority filed a quit claim deed, reservations, and grants of easements, and CERCLA Section 120(h) notice (Deed) issued by the U.S. Department of the Air Force, for certain real property formerly a part of Norton Air Force Base for a consideration of one dollar. Included in the Deed are certain government-owned real properties which may not be sold, transferred, donated, or otherwise disposed of by the Authority, nor may they be removed from the premises for use by the Authority elsewhere. The Authority has begun and intends to sub- lease facilities to various airport users including, but not limited to scheduled airlines, airplane mechanical services, and aircraft support services.

Under the Deed, the Authority received approximately 1,345 acres of land together with major hangar buildings, terminal facilities, runways, tower and equipment, and other buildings and facilities needed to operate the Airport. During the 2003-04 fiscal year, the land, infrastructure, land improvements, and buildings and structures acquired from the Air Force were appraised based upon fair market value at date of acquisition. These appraised properties are included in the financial statements.

Effective July 1, 1998, the U.S. Air Force and the IVDA entered into an agreement (Economic Development Conveyance #2) to transfer an additional 104 acres of property at no cost to the Authority. This is part of the public benefit transfer. All income and related expenses derived from these properties effective July 1, 1998, were transferred to the Authority.

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions, and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that the exclusion would cause the Authority's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority.

Blended Component Unit

The San Bernardino International Airport, Inc. (SBIA, Inc.) is a California nonprofit public benefit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). SBIA, Inc. was created for the purpose of lessening governmental burdens, by aiding the San Bernardino International Airport Authority in its efforts to promote economic development at the former Norton Air Force Base. Although the Authority doesn't appoint a voting majority of SBIA, lnc.'s governing body, SBIA, Inc. is fiscally dependent on the Authority, and a financial benefit/burden exists as defined by applicable GASB pronouncements. In addition, SBIA, Inc. provides services entirely, or almost entirely, to the Authority or otherwise exclusively, or almost exclusively, benefits the Authority even though it may not provide services directly to it. As a result, SBIAA, Inc. is included as a blended component unit of the Authority. The financial statements include only the financial activity of the Authority and the SBIAA, Inc., collectively referred to as the Authority. Separate financial statements of the SBIAA, Inc. are not available.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Basis of Presentation

The statement of net position displays the Authority's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

> *Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt and lease obligations and increased by balances of deferred outflows of resources related to those assets or debt and lease obligations.
>
> *Restricted net position*:
>
> > *Restricted - expendable net position* results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.
> >
> > *Restricted – nonexpendable net position* is subject to externally imposed stipulations which require them to be maintained permanently by the Authority.
>
> *Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the Authority considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Restricted Cash and Investments

Restricted cash and investments consist primarily of money market mutual funds and include a $50,000 endowment from the County of San Bernardino Flood Control Authority. This endowment is to provide long-term conservation management over certain County property which was conveyed to the Authority in 2013. Restricted cash and investments also included assets held with fiscal agents and restricted for debt service reserve and capital projects. Investments are measured at fair value.

Inventory

Inventory is stated at lower of cost (first-in, first-out) or market and are expensed when used.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactionbetween market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as significant unobservable inputs therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimizes the use of unobservable inputs.

Assets or liabilities measured and reported at fair value are classified and disclosed in one of the three following categories:

Level 1 - Inputs to the valuation methodology are unadjusted quoted priced for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs, other than quoted prices, those are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation orother means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investment Income

Interest, dividends, gains, and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The Authority maintains a threshold level of $10,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased assets, and infrastructure of the Authority are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	40-75 years
Land improvements	5-20 years
Buildings and structures	10-50 years
Furniture and fixtures	5-7 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Right to use leased assets	2-10 years

Right to use leased assets are recognized at the lease commencement date and represent the Authority’s right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 7 years.

Lease Receivables

Lease receivables are recorded by the Authority as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the Authority charges the lessee.

Long-Term Obligations

The Authority reports long-term debt and other long-term obligations in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses when incurred.

Lease Liabilities represent the Authority's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the Authority.

Compensated Absences

In accordance with generally accepted accounting principles, an employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances, with maximum unused balance caps for varying lengths of service with the Authority. The employee's entitlements to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges for rent, leases and storage, and fuel sales.

Operating expenses include administrative, maintenance, and operations costs of the Authority's facilities, along with depreciation of capital assets. All revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Grants and Contributions

The Authority receives grants and contributions from governmental and private entities. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has one type of items that qualify for reporting in this category. Deferred inflows related to leases where the Authority is the lessor and is reported in the statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective in Current Fiscal Year

GASB Statement No. 87 – As of July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. The effect of the implementation of this standard on beginning net position is disclosed in Note 11 and the additional disclosures required by this standard are included in Notes 3 and 5.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for reporting periods beginning after December 15, 2020. The Authority has determined the statement did not have an impact on the financial statements.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. The Authority has determined the statement did not have an impact on the financial statements.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. The Authority has determined the statement did not have an impact on the financial statements.

GASB Statement No. 97 – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The objective of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. The Authority has determined the statement did not have an impact on the financial statements.

Effective in Future Fiscal Years

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. The Authority has not determined the effect of the following Statements:

GASB Statement No. 91 – *Conduit Debt Obligations*
GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*
GASB Statement No. 99 – *Omnibus 2022*
GASB Statement No. 100 – *Accounting Changes and Error Corrections*
GASB Statement No. 101 – *Compensated Absences*

Note 2 - Cash and Investments

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	$ 13,721,203
Restricted cash and cash equivalents	1,209,227
Total cash and investments	$ 14,930,430

Cash and investments as of June 30, 2022 consist of the following:

Deposits with financial institutions	$ 13,450,974
Cash on hand	1,000
Investments in LAIF	319,229
Investments held with fiscal agent	1,159,227
Total cash and investments	$ 14,930,430

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage	Maximum Investment in One Issuer
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
State Bonds or Other Indebtedness	270 days	25%	10%
Commercial paper	5 years	30%	None
Negotiable certificates of deposit	1 year	None	None
Repurchase agreements	92 days	20% of base value	None
Reverse repurchase agreements	5 years	30%	None
Medium-term notes	N/A	20%	10%
Mutual funds	N/A	20%	10%
Money market mutual funds	5 years	20%	None
Mortgage pass-through securities	N/A	None	None
County pooled investment funds	N/A	None	$75M per account
Local agency investment fund (LAIF)	N/A	None	None
JPA pools (other investment pools)	N/A	None	None

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Entity's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investment type	Maximum Maturity	Maximum Percentage	Maximum Investment in One Issuer
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Banker's acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Investment contracts	30 years	None	None
Local agency investment fund (LAIF)	N/A	None	$75M per account

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity as of June 30, 2022:

			Investment Maturities (in Years)	
Investment Type	Carrying Amount	Rating	Less Than 1	1 - 5
Money Market Mutual Funds	$ 1,159,227	AAAm	$ 1,159,227	$ -
Local Agency Investment Fund	319,229	Not Rated	319,229	-
Total	$ 1,478,456		$ 1,478,456	$ -

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The CGC limits the minimum rating required for each investment type. The LAIF is not rated.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2022, the Authority had deposits with bank balances of $13,918,043. Up to $500,000 of the Authority’s deposits were covered by federal deposit insurance, and $13,418,646 was collateralized (i.e., collateralized with securities held by the pledging financial institutions of at least 110% of the Authority’s cash deposits, in accordance with the Code). The collateralized securities are not held in the Authority's name.

Investment in State Investment Pool

The Authority is a voluntary participant in the State of California Local Agency Investment Fund (LAIF), which is a part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. The Authority's investment in this pool is reported in the accompanying financial statements at cost, which approximates fair value at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at www.treasurer.ca.gov.

Fair Value Measurements

Assets measured at fair value on a recurring basis and the related fair value of these assets as of June 30, 2022, are as follows:

Investments by fair value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Held with fiscal agent:				
Money Market Mutual Funds	$ 1,159,227	$ 1,159,227	$ -	$ -
Investments not measured at fair value or subject to fair value hierarchy				
Local Agency Investment Fund	319,229			
Total Investments	$ 1,478,456			

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in the Local Agency Investment Fund are not subject to the fair value hierarchy but are reported at the amortized cost.

The value of publicly-traded assets, which would be listed as Level 1, are based on unaffiliated industry sources believed to be reliable. Values for non-publicly traded assets, listed as Level 2, may be determined from other unaffiliated sources. Assets for which a current value is unavailable, which would be listed as Level 3, may be reflected at the last reported price or at par, using the best information available in the circumstances.

The Authority's investments in money market mutual funds, are based on quoted market prices for identical investments in an inactive market or similar investments in markets that are either active or inactive.

Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of $1 and not fair value. Accordingly, the Authority's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Note 3 - Receivables

Accounts Receivable

Accounts receivable consist of fuel sales and short-term and regulated lease revenues and are reported net of uncollectible amounts. Accounts receivable reported for the Authority in the Statement of Net Position as of June 30, 2022, are net of an allowance for doubtful accounts of $520,009.

Lease Receivable

Lease receivable activity for the year ended June 30, 2022 was as follows:

	Beginning Balance As Restated	Additions	Reductions	Ending Balance	Due Within One Year
Lease Receivable	$ 4,444,696	$ -	$ (1,193,073)	$ 3,251,623	$ 1,214,963
Total	$ 4,444,696	$ -	$ (1,193,073)	$ 3,251,623	$ 1,214,963

The Authority has accrued a receivable for 2 land leases and 3 building leases. The remaining receivable for these leases was $3,251,623 for the year ended June 30, 2022. Deferred inflows related to these leases were $3,236,965 as of June 30, 2022. Interest revenue recognized on these leases was $21,838 for the year ended June 30, 2022. Principal receipts of $1,193,073 were recognized during the fiscal year. The interest rate on the leases ranged from .308% - .687%. Final receipt is expected in fiscal year 2026.

Deferred inflows related to leases that were prepaid by lessees were $10,415,753 as of June 30, 2022.

The future lease payments expected to be collected are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 1,197,468	$ 17,495	$ 1,214,963
2024	827,184	11,336	838,520
2025	781,798	5,930	787,728
2026	445,173	1,020	446,193
Total	$ 3,251,623	$ 35,781	$ 3,287,404

For certain lease agreements for airport gates, aprons, buildings and structures designated for aeronautical use, specific terms are regulated by the Federal Aviation Administration (FAA). The Authority entered into various lease agreements for the right to use these airport gates, aprons, buildings and structures designated for aeronautical use to third parties in accordance with these provisions set by the FAA. Specified regulated terms include limits on lease rates, consistency of lease rates for all lessees, and leasing opportunities made available to any potential lessees if the facilities are vacant. The lease revenue related to these regulated agreements amounted to $5,257,427 for the year end June 30, 2022.

Expected future minimum payments under these agreements are as follows:

Year Ending June 30,	Future Minimum Expected Receipts
2023	$ 4,381,385
2024	4,143,737
2025	3,859,923
2026	3,750,925
2027	3,810,899
2028 - 2032	16,172,791
2033 - 2037	18,465,737
2038 - 2042	21,066,429
2043 - 2047	24,056,459
2048 - 2052	27,470,874
2053 - 2056	22,574,290
	$ 149,753,449

Note 4 - Capital Assets

Capital assets activity for the year ended June 30, 2022 is presented as follows:

	Beginning Balance As Restated *	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 38,157,796	$ -	$ -	$ 38,157,796
Construction in progress	970,638	6,252,430	(6,868,812)	354,256
Total capital assets, not being depreciated/amortized	39,128,434	6,252,430	(6,868,812)	38,512,052
Capital Assets, Being Depreciated/Amortized				
Infrastructure	130,792,342	6,263,811	-	137,056,153
Land improvements	63,251,338	136,450	-	63,387,788
Building and structures	378,132,519	273,863	-	378,406,382
Furniture and fixtures	89,524	14,884	-	104,408
Machinery and equipment	8,447,270	716,071	-	9,163,341
Vehicles	2,060,894	89,455	-	2,150,349
Right to use leased land	198,448	-	-	198,448
Right to use leased vehicles	1,044,519	1,529,732	-	2,574,251
Total capital assets, being depreciated/amortized	584,016,854	9,024,266	-	593,041,120
Less Accumulated Depreciation/Amortization				
Infrastructure	(104,697,728)	(2,730,818)	-	(107,428,546)
Land improvements	(54,440,240)	(971,016)	-	(55,411,256)
Buildings and structures	(133,656,288)	(11,542,993)	-	(145,199,281)
Furniture and fixtures	(62,796)	(14,109)	-	(76,905)
Machinery and equipment	(5,725,649)	(527,890)	-	(6,253,539)
Vehicles	(1,886,102)	(83,025)	-	(1,969,127)
Right to use leased land	-	(49,612)	-	(49,612)
Right to use leased vehicles	-	(234,904)	-	(234,904)
Total accumulated depreciation/amortization	(300,468,803)	(16,154,367)	-	(316,623,170)
Total capital assets being depreciated/amortized, net	283,548,051	(7,130,101)	-	276,417,950
Total capital assets, net	$ 322,676,485	$ (877,671)	$ (6,868,812)	$ 314,930,002

* The restatement is an addition of right to use leased assets valued at $1,242,967 in accordance with GASB 87 and the addition of buildings and structures not previously reported valued at $17,124,224, net of accumulated depreciation of $2,393,413. See Note 11 for additional details.

Depreciation/amortization expense for the year ended June 30, 2022 was $16,154,367.

Note 5 - Long-Term Debt

Long-term debt activity for the year ended June 30, 2022 was as follows:

	Beginning Balance As Restated	Additions	Reductions	Ending Balance	Due Within One Year
Notes from Direct Borrowings					
IVDA Member Agency Loan	$ 1,128,337	$ -	$ (1,128,337)	$ -	$ -
Hangar 795 Improvements Loan	3,385,081	-	(3,385,081)	-	-
IVDA - GA Hangar Loan	3,902,301	-	(3,891,104)	11,197	11,197
2021A Airport Refunding Revenue Bonds	-	8,999,077	(768,717)	8,230,360	729,702
2021B Airport Revenue Bonds	-	4,850,565	-	4,850,565	-
Leases	1,242,967	1,210,937	(305,453)	2,148,451	425,605
Total	$ 9,658,686	$ 15,060,579	$ (9,478,692)	$ 15,240,573	$ 1,166,504

Direct Borrowings

IVDA Loans

On both July 29, 2004 and February 23, 2005, the Inland Valley Development Agency (IVDA) loaned the Authority $2,600,000. The proceeds were used to repay Member Agency Loans. The loans were to be repaid in ten years, fully amortized, at an interest rate of two percent or at the rate designated by LAIF, whichever is higher. The interest was to be paid annually. Minimum principal payments were required throughout the term of the agreements. At June 30, 2015, the amount outstanding was $4,200,000.

In December 2014, the Authority entered into an agreement with IVDA to consolidate, restate and amend the above loans. The consolidated loan extension is in the principal amount of $3,900,000, which amount is to be paid by the Authority to IVDA over a term of seven years, at two percent (2%) interest or at the rate designated by the Local Agency Investment Fund (LAIF), whichever is greater, compounded annually.

In May, the loan was restated and amended for a principal amount of $1,836,090 to be paid semi- annually over a term of seven years at two percent (2%) interest per annum or at the rate designated by LAIF, whichever is greater, compounded semi-annually. Principal and interest payments of $93,081 are payable semi-annually beginning April 1, 2021. Semi-annual loan payments include principal and interest without any balloon payments for repayment over the term of the loan. Pursuant to the terms of the loan agreement, the Authority is required to pledge as collateral certain revenues from the former landfill site and future proceeds from the Rialto Airport.

On July 1, 2015, the Authority entered into an agreement with IVDA to finance the construction of general aviation hangers (GA Hangers) in the principal amount of $3,902,301, which amount is to be paid by the Authority to IVDA annually.

During the year ended June 30, 2022, the Authority paid the full amount outstanding of $1,128,337 for the IVDA Member Agency Loan, and paid $3,891,104 of the amount outstanding for the IVDA GA Hanger Loan. The loan balance remaining as of June 30, 2022 is $11,197.

Hangar 795 Improvements

On April 17, 2018, the IVDA loaned the Authority $3,000,000 and amended on September 12, 2018, for an amount not to exceed $3,500,000, with actual liability recorded of $3,385,081. The proceeds were used for construction of cargo handling improvements. The loan is to be paid off over 10 years, fully amortized, at an interest rate of 2% or at the rate designated by the Local Agency Investment Fund (LAIF), whichever is higher, compounded annually. SBIAA shall make semi-annual payments of principal and interest in the amount of $120,000 commencing on November 1, 2019, with a final balloon payment of $1,748,385 due and payable on November 1, 2028.

During the year ended June 30, 2022, the Authority paid the full amount outstanding of $3,385,081.

Taxable Airport Revenue Refunding Bonds, Series 2021A

On July 9, 2021, the Authority issued $8,999,077 in Airport Revenue Refunding Bonds, Series 2021A, to provide funds to refund, on a current basis, the Authority's outstanding IVDA, Hanger 795 Improvement and GA Hanger loans due to IVDA, fund the Series 2021A reserve account, pay costs of issuance of the Series 2021A bonds.

Interest on the Airport Revenue Refunding Bonds, Series 2021A is payable semiannually on December 1 and June 1 at a rate of 3.74%. Mandatory sinking fund deposits to retire the bonds on their term maturity dates, ranging from $589,840 to $978,878, are due annually commencing June 1, 2022 through June 1, 2032.

The Authority has pledged its gross revenue as security for the Airport Revenue Refunding Bonds, Series 2021A and these obligations contain a provision that in an event of default, the outstanding amounts become immediately due if the Authority is unable to make a payment.

Airport Revenue Bonds, Series 2021B

On August 12, 2021, the Authority issued $4,850,565 in Airport Revenue Bonds, Series 2021B, to provide funds to pay the costs of the acquisition, installation, and construction of certain public capital improvements consisting of planned improvements to its existing fuel farm, including a new 375,000 gallon Jet A fuel tank, new fuel delivery island, and related controls and equipment improvements, thereby expanding existing facilities from 150,000 gallon storage with one refuel station to 500,000 gallon storage with two refuel stations, to support increased volume of aircraft fueling, fund the Series 2021B reserve account and pay costs of issuance of the Series 2021B bonds.

Interest on the Airport Revenue Bonds, Series 2021B is payable semiannually on December 1 and June 1 at a rate of 3.37%. Mandatory sinking fund deposits to retire the bonds on their term maturity dates, ranging from $425,617 to $1,161,828, are due annually commencing June 1, 2032, through June 1, 2036.

The Authority has pledged its gross revenue as security for the Airport Revenue Bonds, Series 2021B and these obligations contain a provision that in an event of default, the outstanding amounts become immediately due if the Authority is unable to make a payment.

Scheduled debt service requirements for the Authority's bonds (and notes/loans) payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 740,899	$ 471,279	$ 1,212,178
2024	756,993	443,989	1,200,982
2025	785,304	415,677	1,200,981
2026	814,675	386,307	1,200,982
2027	845,144	355,838	1,200,982
2028-2032	4,724,160	1,280,748	6,004,908
2033-2037	4,424,947	378,978	4,803,925
Total	$ 13,092,122	$ 3,732,816	$ 16,824,938

Leases

During the current year, the Authority entered into two lease agreements as lessee for the use of refueler trucks. As of June 30, 2022, the value of the lease liability was $1,168,770. The Authority is required to make monthly principal and interest payments of $15,658 through April 2029. The leases have an interest rate of 2.427%, based on the Authority's incremental borrowing rate at the inception of the leases.

In prior years, the Authority entered into six lease agreements as lessee for the use of land and vehicles. As of June 30, 2022, the value of the lease liability was $979,681. The Authority is required to make monthly principal and interest payments ranging from $743 to $6,152 through April 2029. The lease liability was valued using discount rates between 0.411% and 0.815% based on the Authority's incremental borrowing rate at the inception of the leases.

Remaining principal and interest payments on leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 425,605	$ 32,290	$ 457,895
2024	425,872	26,662	452,534
2025	415,466	20,984	436,450
2026	316,105	15,455	331,560
2027	235,196	10,451	245,647
2028-2029	330,207	7,212	337,419
Total	$ 2,148,451	$ 113,054	$ 2,261,505

Compensated Absences

Accumulated vacation, holiday, sick pay, and compensatory times are recorded as an expense and liability as these benefits are earned. The compensated absences liability is considered noncurrent and is included in noncurrent liabilities. Compensated absences activity for the year ended June 30, 2022 is as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
$ 262,848	$ 270,683	$ (226,901)	$ 306,630	$ 153,315

Note 6 - Net Position

Restricted Net Position

The Authority received capital grant contributions from the Inland Valley Development Agency during the years ended June 30, 2008 through 2011. The capital grant contributions were received with restrictions for Building No. 56, Mt. View Street, and Solar Power capital projects. In addition, the Authority holds a $50,000 expendable endowment from the County of San Bernardino Flood Control Authority as restricted cash. This expendable endowment is to provide long-term conservation management over certain County property which was conveyed to the Authority in 2013. As the Authority recognizes expenses related to these capital projects, restricted net position is reduced. Net position restricted as of June 30, 2022 is as follows:

Net Position Restricted for Capital Projects	Amount at June 30, 2022
Endowment (Note 2)	$ 50,000
Building No. 56	425,000
Mt. View - Right of Way	105,536
Total restricted net position	$ 580,536

Note 7 - Condensed Combining Information

The following summarizes combining information for the Authority and SBIAA, Inc., which has been presented as a blended component unit, as of and for the year ended June 30, 2022.

Statement of net position as of June 30, 2022:

	Authority	SBIAA, Inc.	Total
Assets			
Total assets	$ 338,137,579	$ 35,145	$ 338,172,724
Liabilities			
Total liabilities	33,500,694	6,517	33,507,211
Deferred Inflows of Resources	13,652,718	-	13,652,718
Net Position			
Net investment in capital assets	299,689,429	-	299,689,429
Restricted for capital projects	580,536	-	580,536
Unrestricted	(9,285,798)	28,628	(9,257,170)
Total net position	$ 290,984,167	$ 28,628	$ 291,012,795

Operating results and changes in net position for the year ended June 30, 2022:

	Authority	SBIAA, Inc.	Total
Operating Revenue	$ 84,389,427	$ 17,000	$ 84,406,427
Operating Expenses	95,765,539	34,259	95,799,798
Operating loss	(11,376,112)	(17,259)	(11,393,371)
Net nonoperating revenues	(889,532)	-	(889,532)
Income (loss) before contributions	(12,265,644)	(17,259)	(12,282,903)
Contributions	872,539	-	872,539
Change in net position	(11,393,105)	(17,259)	(11,410,364)
Net position, beginning of year, as restated	302,377,272	45,887	302,423,159
Net position, end of year	$ 290,984,167	$ 28,628	$ 291,012,795

Cash flows for the year ended June 30, 2022:

	Authority	SBIAA, Inc.	Total
Net cash from (used for) operating activities	$ 13,405,315	$ (17,259)	$ 13,388,056
Net cash (used for) capital and capital	(3,335,386)	-	(3,335,386)
Net cash from investing activities	24,006	-	24,006
Net change in cash and cash equivalents	10,093,935	(17,259)	10,076,676
Cash and cash equivalents, beginning of year	4,807,867	45,887	4,853,754
Cash and cash equivalents, end of year	$ 14,901,802	$ 28,628	$ 14,930,430

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Premiums are paid annually by the Authority. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. As of June 30, 2022, there were no such liabilities to be reported.

Note 9 - Related Party Transactions

The Authority shares certain common expenses with the Inland Valley Development Agency (IVDA), a related party by virtue of common control. These expenses, which include salaries, benefits, services, and supplies, are appropriately allocated between the two governments. The Authority's allocable share of the expenses paid by the IVDA are reported as due to related party and the IVDA's allocable share of the expenses paid by the Authority are reported as due from related party and are essentially short-term advances of working capital. The advances are non-interest bearing and due on demand. The amount due from IVDA at June 30, 2022 was $747,872. The amount due to IVDA at June 30, 2022 was $5,568,601.

Note 10 - Commitments and Contingencies

Construction Commitments

The Authority has active construction projects as of June 30, 2022. At year-end, the Authority's outstanding construction commitments for these projects amounted to $315,350.

Note 11 - Adoption of New Standard and Correction of Errors

As of July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87. Beginning net position has also been restated for errors discovered by management resulting in an understatement or overstatement of amounts previously reported for capital assets, accumulated depreciation, loans payable, revenues and expenses as of June 30, 2021.

Net Position at July 1, 2021, as previously reported	$ 302,011,921
Correction of error - unrecorded capital assets (GA Hangers)	3,902,301
Correction of error - unrecorded accumulated depreciation (GA Hangers)	(520,307)
Correction of error - unrecorded loan payable (GA Hangers)	(3,902,301)
Correction of error - unrecorded capital assets (Sheriff Hanger)	13,221,923
Correction of error - unrecorded accumulated depreciation (Sheriff Hanger)	(1,873,106)
Correction of error - unrecorded lease deposit	20,833
Correction of error - unrecorded interest expense	(275,658)
Correction of error - unrecorded deduction to revenues	(49,709)
Correction of error - reduction of GA Hanger loan	448,512
Recognition of deferred inflows from leases - (Sheriff Hanger)	(10,561,250)
Recognition of right to use leased asset	1,044,519
Recognition of lease receivables	4,444,696
Recognition of lease liability	(1,044,519)
Recognition of deferred inflows from leases	(4,444,696)
Net Position at July 1, 2021, as adjusted	$ 302,423,159

Note 12 - Subsequent Events

Beginning August 4, 2022, SBIAA will began offering nonstop passenger air service from San Bernardino International Airport through an agreement with Breeze Airways. Scheduled destinations include San Francisco, Las Vegas, Provo, Utah, and Hartford, Connecticut.

Supplementary Information
June 30, 2022

San Bernardino International Airport Authority

General and Administrative	
Salaries and wages	$ 1,121,358
Airport management salaries and wages	949,525
U.S. Customs	268,110
Director's fees	18,150
Travel expenses	40,539
Meeting and conferences	60,008
Dues and subscriptions	27,255
Office expense	35,352
Advertising and marketing	375,927
Professional services:	
Legal	110,260
Accounting	38,700
Other	641,152
Telephone	117,091
Software	109,652
Other expenses	257,513
Total	$ 4,170,592

Maintenance and Operations	
Salaries and benefits	$ 4,573,304
Security	681,231
Storm water monitoring	1,294
Hazardous waste removal	35,251
Janitorial	272,637
Utilities/maintenance fees	1,207,366
Control tower	71,844
Communications	156,150
Fees	157,446
Gas/Diesel/Fuel	529,820
Other expenses	1,700,858
Advertising	177,848
Parts/supplies	229,946
Maintenance and repairs	2,007,309
Special event expenses	18,889
Airline support	68,454
Lease expense	47,045
SBIA, Inc. expense	15,370
Total	$ 11,952,062